



Local 3800

Local 3937

Local 3260

Local 3801

University of Minnesota Clerical, Technical, and Healthcare Workers

Talking Paper #2: Health Insurance at the University of Minnesota

All University Employees would face increases in deductibles and co-pays if the changes proposed by the administration in the health insurance plan are implemented. Workers on the employee plus spouse/domestic partner benefit tier would see premium increases per pay period ranging from \$22 to \$35.80, depending on their plan.

University officials say they must pass these costs on to employees in order to avoid paying increased taxes under the Affordable Care Act. Though it is clear that employers will face the potential for new taxes under the act, it is not clear, as the University proposes, that employees must bear the brunt of the financial burden in order to comply with the new law.

The proposed changes were recently announced at the University Benefits Advisory Committee, a group representing University employees that advises the administration on the benefits plan.

Affordable Care Act Insures the Uninsured

In the drive to make affordable health care available to all who need it, the Affordable Care Act has already made some significant changes to health care nationally. Insurers are no longer able to disqualify people on the basis of pre-existing conditions, and caps on coverage have been eliminated.

Further changes are the way. Next year, insurance exchanges will open, expanding the availability of affordable health insurance for those who currently don't have it. Individuals will either pay for insurance or pay a fee, and employers likewise must either offer affordable insurance or pay a fee.

As part of the Affordable Care Act, in 2015 and 2016, the U will begin automatically enrolling new employees in the single health insurance plan (they can later opt out or add family coverage).

New Taxes Intended to Reduce Cost of Care

Two goals of the Affordable Care Act are to make insurance more affordable and keep costs down. The main focus of the Act is on premiums. So the Act included a provision, set to take effect in 2018, that will require employers to pay taxes on part of their most expensive insurance plans. University officials said that plan changes are necessary now in order to prepare for the 2018 deadline.

This is the second in a series of talking papers on critical workplace issues for frontline workers at the University of Minnesota

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The new tax applies to the value of pre-tax benefits in excess of the maximum allowed “plan value.” Plan value is defined by the law as the combined amount of: the premium paid by the employer, the premium paid by the employee, and flex spending dollars. Flex spending dollars include contributions made by employees to Flexible Spending Accounts and employer contributions to Health Savings Accounts. Unfortunately, the Act does not factor out-of-pocket costs paid by employees into plan value. So employers can keep their premiums low by shifting costs to employees as the administration is proposing.

Beginning in 2018, the act will require employers to pay a 40 percent federal tax on the value of any plan value exceeds that \$10,200 a year for single insurance or \$27,500 a year for family insurance. Regulations regarding how flex spending dollars are factored into the plan value have yet to be written, so the picture may change. Remember, the focus is on the total premium – the combined amount paid by both the employee and the employer. Forcing employees to pay an increased share of the premium cost will not affect the employer’s tax liability.

U Officials Say New Taxes Could Amount to \$48 Million Over 5 Years

University officials worry that without dramatic changes, they will be on the hook for significant new taxes beginning in 2018. They say that conservative estimates show that, if the University’s benefit structure remains unchanged, they will be forced to pay \$48 million in new taxes from 2018 through 2022.

How do the U’s current premium costs fit in this picture? Based on the current plan designs offered by the University for 2014, the total annual cost for single premium on Medical Elect Essential is projected to be \$7,185. The total annual family premium (employee plus spouse/domestic partner and children) for Medical Elect Essential that the employer plans for 2014 is also well within the limit, at \$20,620 per year.

Medical Choice Regional, one of the most expensive University plans, is a different story. The total annual single premium cost is expected to be \$9,820 for 2014 which is still under the \$10,200 limit, while the University plans on a total family premium (again, employee plus spouse/domestic partner and children) of \$28,175, well over the \$27,500 limit.

Workers Pay More So U Doesn’t Have To

In order to reduce the chance of paying high new taxes, University officials want to rearrange premiums and increase out of pocket costs for workers. The most dramatic proposal is to drop from four insurance tiers to three, eliminating the employee plus spouse/domestic partner tier and merging it with employee and family tier. This would expand the pool covered in the family tier, which the employer expects would result in a modest overall reduction in the current family premiums.

Premiums in Duluth and Greater Minnesota have always been higher than the Twin Cities. While the University has, in effect, subsidized the outstate premium so those workers pay the same rates as those in the Twin Cities, University officials are concerned about gradual increases to those premiums. So they are planning to merge the greater Minnesota insurance pool with that of the Twin Cities, effectively blending and averaging those rates. The net effect of this change would be a decrease in Greater Minnesota and Duluth premiums and a modest increase in Twin Cities premiums.

All Employees Would Face Increased Out-of-Pocket Costs

Another major change would be the introduction of deductible payments on plan components not covered by copayments. Deductible payments are made by plan members before the employer begins paying for health insurance costs.

The following table shows the proposed increases in out-of-pocket costs:

	Current Cost for Employee Only	Proposed Cost	Current Cost for Employee plus dependents	Proposed Cost
Deductible on non-copay items such as radiology and hospitalization for Medica Elect Essential Users	\$0	\$100	\$0	\$200
Deductible on non-copay items such as radiology and hospitalization for Medica Insights and Choice Users	\$0	\$200	\$0	\$400
Primary Care Office Visit Co-Pay	\$15	\$25	\$15	\$25
Specialist Care Office Visit Co-Pay	\$15	\$40	\$15	\$40
Non-Formulary Pharmacy Co-Pay	\$60	\$75	\$60	\$75

New Network – Affordable Care Organization

The employer would also offer a new Affordable Care Organization plan, which would have slightly lower premium and out of pocket costs. In exchange, the ACO network would be tighter – with fewer health care providers available to members. And referrals outside the ACO network would be rare.

The Affordable Care Organizations covered under the new plan design would be Fairview, HealthEast, Park Nicollet and Ridgeview. While the Fairview ACO would include specialists at the University of Minnesota Physicians’ Clinics, it would not cover the primary care doctors at any UMP clinics.

All Employees Deserve Affordable Premiums, Out-of-Pockets

Many workers on the employee plus spouse/dependent partner benefit tier will struggle to pay the big premium increases planned by the U and many will have a tough time coming up with the cash necessary for increased deductibles and co-pays.

Rather than maintain affordable insurance for some by reducing affordability for others, University officials need to keep premium costs affordable for all workers, regardless of their family size.

University leaders need to be mindful of the tight budgets maintained by many University workers. Take, for instance, the \$200 dollar deductible. For some University workers, \$200 is two weeks worth of lunch and coffee money. For union staff, \$200 is two weeks worth of groceries for a parent and two kids.

Increasing office co-pays punishes those employees who have chronic conditions and need to see health care professionals regularly. This will result in more many employees having to choose between seeking necessary medical care or making housing payments/buying groceries. This will result in more costly care and hospitalizations at a future time.

Questions Remain – What's the Bottom Line?

Right now, the University's plan to avoid new taxes under the Affordable Care Act places all of the burden on employees. When premium rates increase, the University pays 80.5 percent of the increase for those on family tiers and 87 percent for those on single coverage. The University intends, however, to pass on \$4 million of the potential tax hit per year to employees. If that \$4 million were added to the premium, however, the U would pay upwards of 80 percent. The U's proposal has all \$4 million being covered by employees.

Why is it necessary for employees to soak up all of that damage? Are there potential scenarios in which U pays all or part of those costs? One option would be for the University to return to the Health Care fund the dollars that were taken out and placed in the General Fund. In 2005, when the UPlan had a projected savings of \$6 million, the money was kept in the General Fund rather than used to offset premium and co-pay costs to employees. This would more than cover the projected \$4 million addition to the premiums.

An option for cost-sharing may lie in the premium itself. Remember that the value of the plan is based on the total premium – the combined amount that both the employee and the employer contribute. Neither increasing the amount that employees pay to the premium nor increasing the amount the employer pays toward the premium will affect the employer's potential tax liability. Right now the employer pays 87 percent of the cost of single premium for the base plan and 80.5 percent of the family premium. One route would be for the University to increase its share of the premium, meaning lower premium costs for workers.

Or, what about premiums based on the ability to pay? Premiums in the health exchanges set up by the Act will be based on a three-part formula – family income, family size, and poverty level. Could University officials devise a similar method for setting premiums here at the U, so those who earn more pay more, and those who earn less pay less?

Is the University truly unable to consider any increased liability for taxes? Or are there other areas the University could cut – such as management staffing – in order to find the funds necessary to ease the health insurance burden?

But Isn't Our Insurance Better Than What Most Minnesotans Have?

It's important to remember that the reason we have good insurance at the University is because of the struggles of unionized workers, not because the U is a magnanimous employer that merely wants to do right by its employees. The University was originally part of the state of Minnesota's health insurance system, and the state is fully unionized. AFSCME and MAPE, the state employee unions, fought for the type of quality plan we have. The reason most people don't have quality insurance is because most people don't work in unionized workplaces, so have no ability to negotiate anything. They have to accept what the employer offers.

It's not surprising that most of the so-called Cadillac plans are held by unionized workers. People fought and died for these benefits. It's also important to realize that the tax on Cadillac plans is just one more way to attack unions and attempt to drive a wedge between unionized and non-unionized workers. We can't let ourselves feel guilty about our insurance because that won't actually help the many people who don't have quality insurance.

It is true that the U's insurance plan is better than what many people have. This is especially true in greater Minnesota, where both access to quality care, and access to affordable full-coverage insurance is limited. U employees paying more will not result in others paying less. It only results in a race to the bottom. We need to fight not only to defend our insurance, but also for quality affordable health care for all. The University, if it truly aspires to be a world class institution, should lead the way in providing world class benefits that set a high standard for everybody in the state, rather than trying to set the bar lower and lower.

Next Steps

The Benefits Advisory Committee includes representatives of all University employees groups either as voting members or observers. Let your coworkers know about the proposed changes to your insurance plan, and urge them to get in touch with their BAC representatives right away.

And Union members, remember: we bargain health insurance. Attend an area meeting or a member meeting, and find out how you can get involved in the process of getting a fair contract.

Make sure your voice is heard. Please go to: www.afscme3800.org to sign our petition to the Benefits Advisory Committee.